

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/5/11

PHIL HEBERT
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION

Southeastern Development Foundation, Inc.
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Phil Hebert, CPA

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Independent Auditor's Report

To the Board of Directors
Southeastern Development Foundation, Inc.
Hammond, Louisiana

I have audited the accompanying statement of financial position of Southeastern Development Foundation, Inc (the "Foundation"), a Louisiana nonprofit corporation, as of June 30, 2010 and the related statements of activities and changes in net assets and cash flows for the year ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Development Foundation, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

In accordance with *Government Auditing Standards*, I have also issued a report dated December 15, 2010 on my consideration of Southeastern Development Foundation, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Sincerely,

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation

December 15, 2010

Southeastern Development Foundation, Inc.
Statement of Financial Position
June 30, 2010

Assets

Current Assets

Cash and Cash Equivalents	\$ 2,267,885
Receivables	416,947
Investments	17,437,151
Prepaid Insurance	<u>17,375</u>

Total Current Assets 20,139,358

Property and Equipment, Net	4,565,885
Donated Land	2,507,506
Pledge Receivable	<u>200,000</u>

Total Assets \$ 27,412,749

Liabilities and Net Assets

Current Liabilities

Accrued Liabilities	\$ 24,481
Deferred Rent	1,841,897
Agency Funds	<u>1,554,084</u>

Total Current Liabilities 3,420,462

Net Assets

Unrestricted	671,504
Temporarily Restricted	9,515,108
Permanently Restricted	<u>13,805,675</u>

Total Net Assets 23,992,287

Total Liabilities and Net Assets \$ 27,412,749

The accompanying notes are an integral part of these financial statements.

Southeastern Development Foundation, Inc.
Statement of Activities and Changes in Net Assets
For The Year Ended June 30, 2010

Revenue and Support	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions	\$ 164,533	\$ 90,639	\$ 411,917	\$ 667,089
Scholarships, Assistantship and Awards	-	50,222	-	50,222
Programs	-	212,818	-	212,818
Interest and Dividends	79,219	25,559	453,945	558,723
Realized Gain	-	-	1,975	1,975
Fundraising	-	352,168	-	352,168
Other Revenue	-	248,333	94,815	343,148
Professorships	-	47,489	-	47,489
Livingston Center	-	92,096	-	92,096
Net Assets Released From Restrictions				
Satisfaction of Program Restrictions	<u>1,628,983</u>	<u>(1,166,377)</u>	<u>(462,606)</u>	<u>-</u>
Total Revenue and Support	<u>1,872,735</u>	<u>(47,053)</u>	<u>500,046</u>	<u>2,325,728</u>
 Expenses				
Restricted:				
Scholarships, Assistantship and Awards	51,645	-	-	51,645
Departmental	308,989	-	-	308,989
Professional Fees	17,340	-	-	17,340
Professorships	60,000	-	-	60,000
Programs	352,697	-	-	352,697
Depreciation	154,838	-	-	154,838
Other	70,266	-	-	70,266
Realized Loss on Investments	150,602	-	-	150,602
Endowment:				
Scholarships, Assistantship and Awards	260,847	-	-	260,847
Professional Fees	5,169	-	-	5,169
Realized Loss on Investments	34,910	-	-	34,910
Investment Fees	82,461	-	-	82,461
Management Fees	79,219	-	-	79,219
Unrestricted:				
Salaries and Wages	71,958	-	-	71,958
Payroll Taxes and Benefits	6,220	-	-	6,220
Professional Fees	80,722	-	-	80,722
Fundraising	16,027	-	-	16,027
Realized Loss on Investments	38,061	-	-	38,061
Other Expense	144,929	-	-	144,929
Total Expense	<u>1,986,900</u>	<u>-</u>	<u>-</u>	<u>1,986,900</u>
 Change in Net Assets	 (114,165)	 (47,053)	 500,046	 338,828
Net Assets, Beginning of Year, Restated	<u>785,669</u>	<u>9,562,161</u>	<u>13,305,629</u>	<u>23,653,459</u>
Net Assets, End of Year	<u>\$ 671,504</u>	<u>\$ 9,515,108</u>	<u>\$ 13,805,675</u>	<u>\$ 23,992,287</u>

The accompanying notes are an integral part of these financial statements.

Southeastern Development Foundation, Inc.
Statement of Cash Flows
For The Year Ended June 30, 2010

Cash Flows From Operating Activities	
Change in Net Assets	\$ 338,828
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	154,838
Increase in Receivables	(180,884)
Increase in Prepaid Insurance	(9,075)
Increase in Accrued Liabilities	9,602
Increase in Deferred Rent	168,379
Increase in Agency Funds	183,265
 Total Cash From Operating Activities	 <u>664,953</u>
Cash Flows From Investing Activities	
Proceeds From Sale of Land	130,004
Loss on Sale of Land	112,420
Purchase of Investments	(1,165,473)
 Total Cash Used in Investing Activities	 <u>(923,049)</u>
Net Decrease in Cash and Cash Equivalents	(258,096)
Cash and Cash Equivalents, Beginning of Year	<u>2,525,981</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,267,885</u>

The accompanying notes are an integral part of these financial statements.

Southeastern Development Foundation, Inc.
Notes to Financial Statements

Note A- Summary of Significant Accounting Policies

Nature of Organization

Southeastern Development Foundation, Inc. (the "Foundation") was incorporated on April 17, 1963 under the provisions of Louisiana Revised Statutes 12:101-155 as a non-profit corporation. The Foundation was formed to promote and support, on all levels the Southeastern Louisiana University (SLU) programs, including the solicitation and acceptance of donations for the purpose of providing scholarships and other benefits for the university, its faculty, and its students.

Basis of Accounting

The accompanying financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation

Net assets of the Foundation and changes therein are classified and reported as follows:

- a) Unrestricted net assets are not subject to donor-imposed stipulations.
- b) Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation and/or the passage of time.
- c) Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Foundation. Permanently restricted net assets are primarily comprised of the original endowment gift given to the Foundation by donors. The donors of these assets permit the Foundation to use the income from these assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with purchased maturities of three months or less.

Unconditional Promises to Give

Pursuant with the Foundation's policy, the Foundation records certain promises to give as revenue when the promise is made.

Southeastern Development Foundation, Inc.
Notes to Financial Statements

Conditional Promises to Give

Pursuant with the Foundation's policy, the Foundation does not recognize conditional promises to give as revenue until the condition is met or the pledges are received.

Donated Services and Materials

Significant portions of the Foundations's fundraising events are conducted by unpaid volunteers and some materials are donated to the Foundation's fundraising events by unpaid vendors. The value of these donated services and materials is not reflected in the accompanying financial statements as they do not create nonfinancial assets nor are they specialized services.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Real estate investments, which were received by gift, are carried at an independently appraised market value as of the date acquisition.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment donated to the Foundation are recorded at their fair market values at the date of donation. Depreciation is provided over the estimated used useful lives of exhaustible assets on a straight-line basis over lives ranging from 5 to 40 years.

Agency Funds

Agency funds consist of assets held for others, primarily Southeastern Louisiana University.

Income Taxes

Under provisions of the Internal Revenue Code, Section 501(c)(3), and the applicable income tax regulations of Louisiana, the Foundation is exempt from taxes on income other than unrelated business income. The foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi). Since the Foundation had no net unrelated business income during the year ended June 30, 2010, no provision for income tax was made.

Southeastern Development Foundation, Inc.
Notes to Financial Statements

Receivables

Receivables consist of a note receivable from a related party, funds due from Southeastern Louisiana University, and contract receivables. The Foundation carries accounts receivable at cost.

Note B - Investments

Investment fees for the year ended June 30, 2010 are \$88,216. Investments are comprised of the following as of June 30, 2010:

	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 1,911,251
Debt instruments	6,478,097
Equity Securities	8,350,805
Investment in Maurin Farm, LLC	678,599
Stocks	12,486
Minerals	5,913
	<u>\$ 17,437,151</u>

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of unobservable inputs and minimize the use of unobservable inputs.

	<u>Assets at Fair Value as of June 30, 2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,911,251	\$ -	\$ -	\$ 1,911,251
Debt Instruments	6,478,097	-	-	6,478,097
Equity Securities	8,350,805	-	-	8,350,805
Investment in Maurin Farm, LLC	-	678,599	-	678,599
Stocks	12,486	-	-	12,486
Minerals	5,913	-	-	5,913
Total Assets as Fair Value	<u>\$ 16,758,552</u>	<u>\$ 678,599</u>	<u>\$ -</u>	<u>\$ 17,437,151</u>

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liabilities;
- Inputs that are derived principally from or corroborated by observable market data correlation or other means.

Southeastern Development Foundation, Inc.
Notes to Financial Statements

If the asset or liability has a specified (contractual) term the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note C – Receivables

The Foundation paid a note payable owed to a bank during the year ended June 30, 2004 on behalf of Southeastern Athletics Association, Inc. The parties signed a promissory note with payments of principle and interest due annually for four years, at a rate of 4.5%. As of June 30, 2010, the final payment had not yet been received. The amount due from this related party at June 30, 2010 was \$61,096.

Note D – Net Assets

Temporarily restricted net assets at June 30, 2010, consisted of the following:

Livingston Literacy Center Building and Furnishings, Net of Depreciation	\$ 4,565,885
Land	2,507,506
Scholarships and University Program Support	2,441,717
	<u>\$ 9,515,108</u>

Permanently restricted net assets at June 30, 2010, consisted of the following endowed gifts to be held in perpetuity with income to be used for:

Scholarships, Professorships and Programs	<u>\$ 13,805,675</u>
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During the course of the fiscal year ended June 30, 2010, net assets whose use by the foundation was subject to donor-imposed restrictions were fulfilled by actions of the Foundation, pursuant to those restrictions, the expiration of time, or the designation of law. These net assets are shown in the statement of activities as net assets released from restrictions for satisfaction of program restrictions from temporarily restricted and permanently restricted net assets in the amount of \$1,628,983.

Note E – Property and Equipment

A summary of property and equipment at June 30, 2010 follows:

Buildings	\$ 5,205,031
Furniture	123,559
Total Property and Equipment	<u>5,328,590</u>
Accumulated Depreciation	(762,705)
Net Property and Equipment	<u>\$ 4,565,885</u>

For the year ended June 30, 2010, depreciation expense was \$154,838.

Southeastern Development Foundation, Inc.
Notes to Financial Statements

Note F – Related Party Transactions

During the fiscal year ended June 30, 2010, the Foundation occupied office space in a building owned by Southeastern Louisiana University Alumni Association, Inc. Under the terms of the lease agreement for the land housing the facilities between the Board of Trustees for State Colleges and Universities (Landlord), and the Southeastern Louisiana University Alumni Association, Inc. (Tenant), the Landlord assumed responsibility for repair, maintenance, taxes, and insurance coverage for the facility, and the Tenant agreed to sublease approximately 3,000 square feet of office space to Southeastern Louisiana University including the space housing the Southeastern Development Foundation, Inc.

In accordance with Louisiana Revised Statutes LSA-RS 17:3390, the Foundation is of the opinion that all expenditures and in-kind services, except unrestricted funds used for administration, benefit the University. These amounts greatly exceed the cost of housing, personnel, and other support furnished to the Foundation by the University. The value of the facilities used by the Foundation was not reasonably determinable; therefore, no related donation or expense is recorded.

Note G – Contingencies

On February 5, 1998, the Foundation entered into an investment agreement with Southeastern Louisiana University (SLU). Under the terms of this agreement, the foundation, acting as an agent for SLU, holds funds for an endowed professorship and an endowed chair and provides investment review and management of these funds. The agreement also stipulates that if the principal amount as of June 30th of each year falls below the endowment base, the Foundation must use other revenues to restore the principal amount to the endowment base. As of June 30, 2010, the endowment base is \$1,100,000 and the fair value of the account is \$1,554,084 causing a \$454,084 surplus.

Note H – Concentrations of Credit Risk Arising From Cash Deposits

The Foundation maintains cash balances at several financial institutions located in Hammond, Louisiana. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, as of June 30, 2010. The amount of the Foundation's cash in excess of the FDIC insurance, which is \$478,604 at June 30, 2010, is pledged by the various institutions holding the cash. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Note I - Deferred Rents

On June 18, 2002, the Foundation entered into a cooperative endeavor agreement with the Livingston Parish School Board and the Livingston Educational Public Benefit Corporation to rent the Livingston Parish Literacy Center for a term of twenty-five years as an education facility. Rental payments commenced upon substantial completion of the facility constructed under court order. The total amount received during the year ended June 30, 2010 was \$260,474, of which \$92,096 was recognized as income for the year with a balance of \$1,841,897 deferred as of June 30, 2010.

Southeastern Development Foundation, Inc.
Notes to Financial Statements

Note J - Prior Period Adjustment

Certain errors resulting in an understatement of previously recorded investments in the amount of \$9,583 were discovered in the current year. Accordingly, an adjustment of \$9,583 was made during 2010 to increase investments as of the beginning of the year. A corresponding entry was made to increase previously reported net assets. A prior period journal entry was also made to correct the classification of net assets reported at June 30, 2009. The effect of the restatement on net assets is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Net Assets at June 30, 2009	\$ 8,285,828	\$ 14,572,379	\$ 22,858,207
Prior Period Adjustment	1,276,333	(1,266,750)	9,583
Net Assets at June 30, 2009, Restated	<u>\$ 9,562,161</u>	<u>\$ 13,305,629</u>	<u>\$ 22,867,790</u>

Note K – Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 15, 2010, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Other Independent Auditor's Reports

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**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Directors
Southeastern Development Foundation, Inc.
Hammond, Louisiana

I have audited the financial statements of Southeastern Development Foundation, Inc. (a non-profit corporation), "the Foundation", as of and for the year ended June 30, 2010, and have issued my report thereon dated December 15, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Foundation's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. According, I do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundations.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of directors, and the Louisiana Legislative Auditor. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation

December 15, 2010

Southeastern Development Foundation, Inc.

**Schedule of Prior Year Findings
For the Year Ended June 30, 2010**

Internal Control

2009-1

Condition:

The Foundation does not record transactions in a timely manner. The correct dates are used when posting transactions, but the transactions are not recorded timely.

Recommendation:

We recommend the Foundation implement a policy to record transactions within a specified time period after occurrence of the transaction.

Resolved: Yes

2009-2

Condition:

The Foundation tracks promises to give outside of the accounting function, follows up on promises to give that are not received, and tracks promises to give as they are received. However, the Foundation does not record a receivable when the promise to give is made, and, thus, the Foundation does not develop an allowance for promises to give.

Recommendation:

We recommend promises to give be recorded and that a related allowance is also recorded.

Resolved: Yes